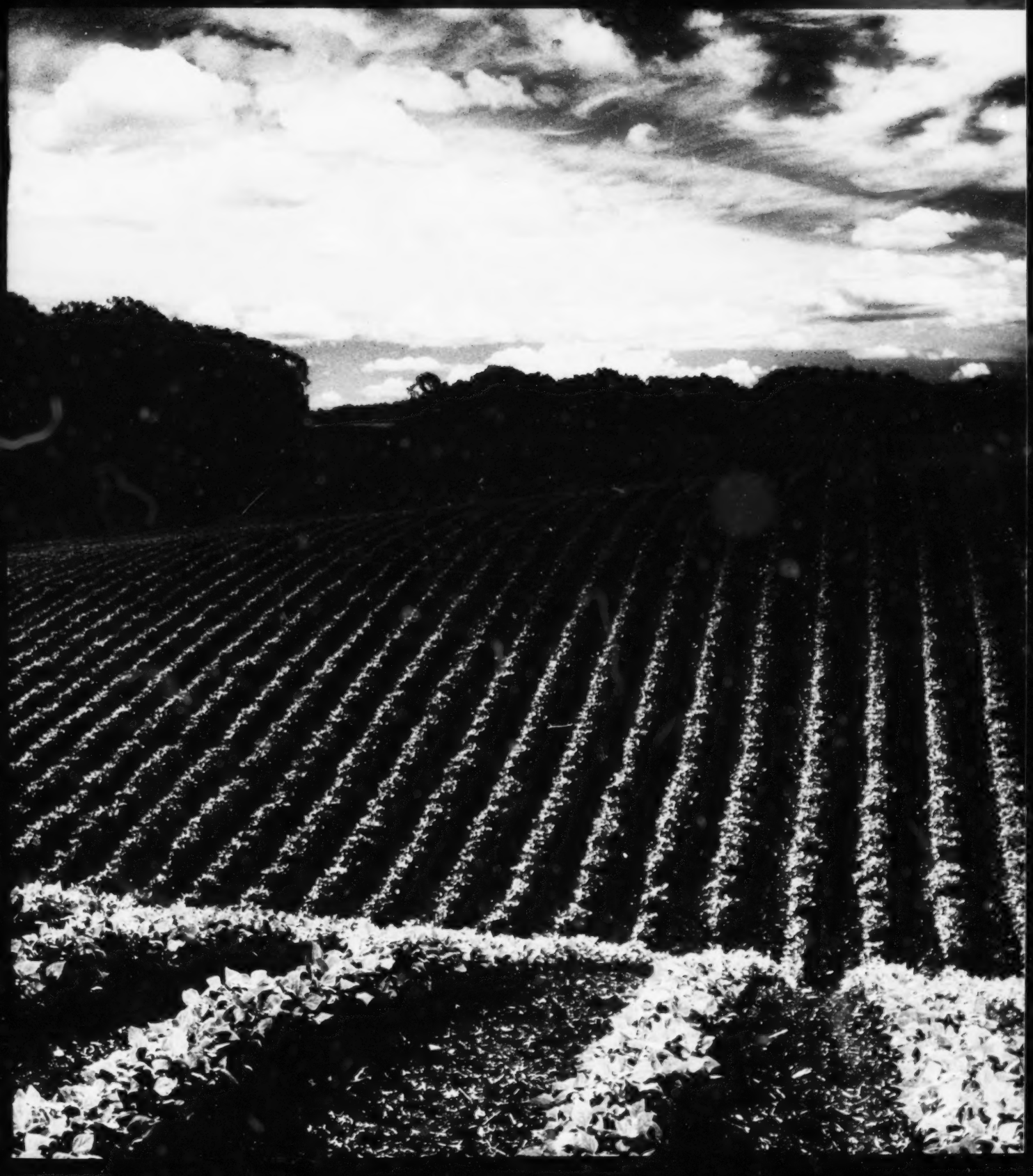
MANITOBA
CROP INSURANCE CORPORATION

MCIC

ANNUAL
REPORT



104-00409/

LETTERS OF TRANSMITTAL

The Honourable Peter M. Liba
Lieutenant-Governor of Manitoba
Room 235 Legislative Building
Winnipeg, Manitoba
R3C OV8

May It Please Your Honour:

I have the privilege of presenting for the information of Your Honour, the Annual Report of the Manitoba Crop Insurance Corporation for the fiscal year ending March 31, 2003.

Respectfully submitted,

Rosann Wowchuk
Minister of Agriculture and Food

LETTERS OF TRANSMITTAL

The Honourable Rosann Wowchuk
Minister of Agriculture and Food
Room 165 Legislative Building
Winnipeg, Manitoba
R3C OV8

Dear Madam:

Presented herewith is the Manitoba Crop Insurance Corporation's Annual Report for the fiscal year ending March 31, 2003.

Respectfully submitted,

Walter W. Kolisnyk
Chairman
Board of Directors

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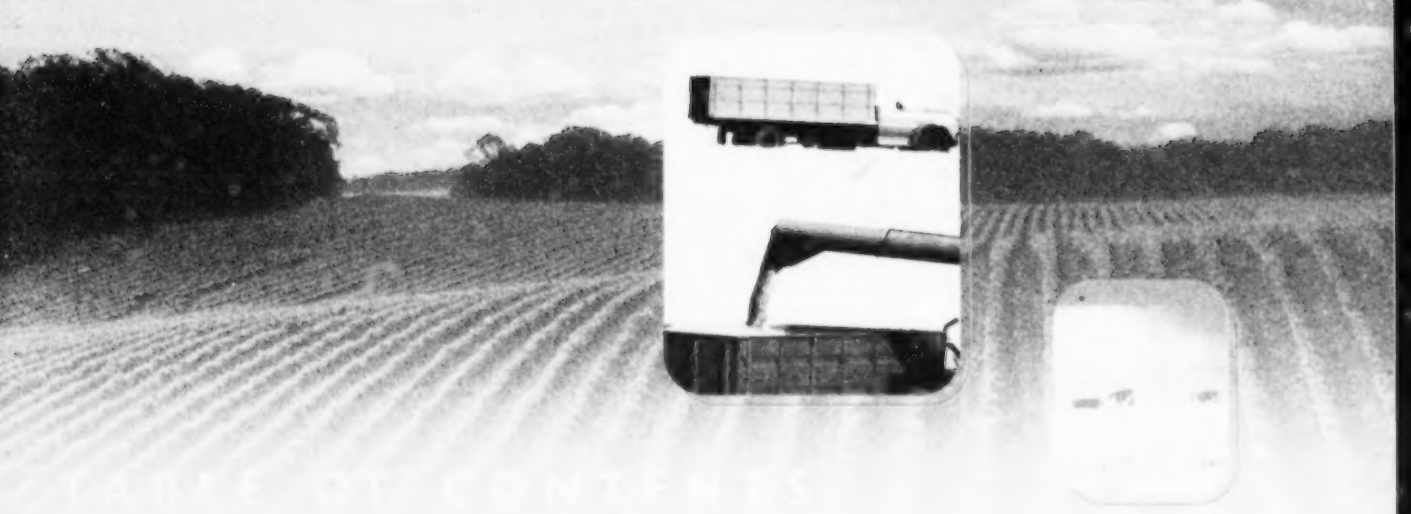
COVER PHOTO BY: DAVE REEDE



Chairman's Message

Mission Statement/Vision/Corporate Values

2002/03 Progress on Business Goals

Performance Indicators

Board of Directors/Corporate Officers/Legal Counsel

Administration

Organization Chart

Current Programs

- Crop Insurance Program
- Hail Insurance Program
- Wildlife Damage Compensation Program

Table 2 – 5 Year Statistics

2002 Cropping Conditions

Table 3 – Summary of Insurance Written and Major Causes of Loss by Crop

Table 4 – Summary of Participation, Premiums and Indemnities Paid

- Crop Insurance Program
- Hail Insurance Program

Historical Loss Ratios

Risk Area Map

Agency Map

Financial Statements

COVER PHOTO BY: DAVE REEDE

CHAIRMAN'S MESSAGE

MCIC assists Manitoba farmers to meet the opportunities and challenges of the agriculture industry by providing cost-effective risk management tools, with our core products being crop and hail insurance. MCIC also delivers compensation payments, through the Wildlife Damage Compensation Program, to producers who have experienced agricultural losses due to wildlife.

In 2002/03, MCIC insured more than $1.2 billion of liability in the Crop Insurance Program and close to $290 million of liability in the Hail Insurance Program, resulting in another solid year of growth. This is the first year that the liability of the Crop Insurance Program has exceeded $1 billion, with a record 9.1 million acres insured. Three factors contributed to the large increase in liability: higher crop prices, more acres insured, and more farmers buying the higher coverage levels. Compared to 2001/02, the percentage of acres insured at the 80% coverage level increased from 41% to 51%. In addition, the number of tame hay acres insured in 2002/03 increased by over 27%.

In an effort to reduce the risk of a large payout, MCIC transferred approximately $110 million of insurance risk to the private sector through the use of reinsurance. This was the second year that private reinsurance has been obtained for the Crop Insurance Program. The objective of private reinsurance is to help reduce premium rate variability to farmers and governments following a disaster year.

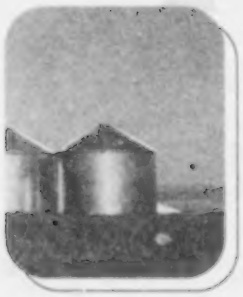
MCIC continues to improve its programs and services. On the program side, the major changes for 2002 included the addition of: perennial ryegrass seed as an insurable crop; a Forage Restoration Benefit to compensate producers for forage stands that are permanently damaged due to excess moisture; and a pilot project to assess the feasibility of using tame hay losses as a means of compensating for pasture losses. Insurance is now provided on 45 different crops under the Crop Insurance Program.

Crop Insurance payments for 2002/03 totalled $76.0 million, with an average payment per claim of $7,500. Due to the large reserve fund, premiums were once again reduced to producers and governments. Total premiums collected for the year were $89.7 million, after accounting for a premium discount of 26.1% (compared to 23% in 2001/02). Severe hailstorms experienced in many areas of the province resulted in the Hail Insurance Program paying out a record high of $10.6 million, which was 106% of premium income prior to discounts. Wildlife damage compensation increased by 38%, with over $1.6 million being paid out.

Investment in information technology has enabled the Corporation to continue to streamline processes and improve efficiency. As our clients' use of the Internet continues to increase, their demand for e-business transactions will rise. To accommodate this, MCIC is working on a project where farmers will be able to complete their Harvested Production Reports using the Internet. It is anticipated that MCIC's first e-business process will be launched in the fall of 2003.

The involvement of individual farmers and farm groups is an integral part of program improvements. During 2002/03, MCIC's Board of Directors met with eleven different farm groups and agri-businesses to get their input. In addition, public meetings were held in Swan River and Minnedosa. Of great interest to farmers this year were the implications of the new Agricultural Policy Framework (APF).

Business risk management is a key component in building a stronger, more profitable agricultural sector. In consultation with industry, governments have been working towards a revised set of business risk management programs. Production Insurance, which includes Crop Insurance, is a cornerstone of the APF. MCIC, through the participation of its



BUSINESS RISK MANAGEMENT IS A KEY COMPONENT IN BUILDING A STRONGER, MORE PROFITABLE AGRICULTURAL SECTOR.

General Manager, Neil Hamilton, has been involved in the development of the APF.

When it comes to planning their operations for the upcoming year, accurate production information is of key importance to Manitoba farmers. MCIC offers three specific tools to aid this task: the Manitoba Management Plus Program (MMPP), Yield Manitoba and Crop Management Histories.

The MMPP provides information on farm management practices and production technology. Farmers, researchers and agribusiness are provided with unbiased benchmark information and analysis. The MMPP web site is revised annually to include the most recent data. On-line query tools now include 2002 yields as well as information on pesticide and fertilizer use. By providing access to this type of information, MCIC is enhancing customer relationships, reducing the risk of production losses and providing better client service.

The publication Yield Manitoba provides a complete listing of variety performance and acreage information for wheat, barley, oats, flax, Argentine canola and field peas. A range of other important agronomic information is also provided. The publication and distribution of this information has been made possible through a partnership arrangement with the Manitoba Co-operator and Manitoba Agriculture and Food.

Each insured farmer receives a Crop Management History that provides a 5-year record of their cropping details on a field-by-field basis. These summaries are particularly useful for assessing crop and herbicide rotations, fertilizer use and for yield comparisons.

In Manitoba, over half of all workplace fatalities and injuries are farm related. Recognizing this, MCIC offered in-kind support to the Community Farm Safety Project, which is a project managed by Manitoba Agriculture and Food and funded jointly by the Community Initiatives and Research Program and the Workers' Compensation Board of Manitoba. MCIC assisted by providing mass mailings to increase awareness, displaying safety posters in agency offices and making presentations to advise MCIC's staff and others of the Community Farm Safety Project.

In closing, I would like to thank MCIC's staff and Board members for their continued commitment to our mission of *"offering Manitoba's agriculture producers risk management programs which provide stability and assist in adapting to change."* With over 85% of the annual crop acres insured, we are certain that crop insurance is a valuable asset to Manitoba farmers. We look forward to assisting Manitoba's agricultural industry to achieve sustainable economic growth and financial stability in the years ahead.

Walter W. Kolisnyk
Chairman

MISSION STATEMENT

OFFERING MANITOBA'S AGRICULTURAL PRODUCERS RISK MANAGEMENT PROGRAMS WHICH PROVIDE STABILITY AND ASSIST IN ADAPTING TO CHANGE.

VISION

To ensure we continue to be committed to carrying out our mission, Manitoba Crop Insurance Corporation (MCIC) will be an organization that:

- researches, develops and delivers new and improved products and services to assist in reducing risk in the agricultural industry;
- is instrumental in the development of policy relating to risk management programs for agricultural producers in Manitoba;
- conducts its business with qualified and motivated people;
- has the pre-eminent expertise in the delivery of land-based programs in Manitoba; and
- strives to improve efficiency.

CORPORATE VALUES

WE VALUE OUR:

CLIENTS – The needs and interests of our clients come first.

EXCELLENCE IN JOB PERFORMANCE BY DEDICATED STAFF – Excellence in our work is recognized and rewarded.

GOOD WORKING RELATIONSHIPS – We share our ideas and work co-operatively with our clients and business associates in an open and forthright manner.

PUBLIC TRUSTEESHIP ROLE – We manage our operations to the benefit of all parties involved.

CONTRIBUTION TO THE AGRICULTURAL SECTOR – We help Manitoba's agricultural industry achieve sustainable economic growth and financial stability. We encourage our staff to be positive role models and leaders in their communities.

2002/03 PROGRESS ON BUSINESS GOALS

STRATEGIC DIRECTION:

ENHANCE SERVICE TO OUR CLIENTS THROUGH NEW AND IMPROVED PROGRAMS, WHICH MORE EFFECTIVELY STABILIZE RISK AND PROVIDE SUPERIOR DELIVERY OF PROGRAMS AND SERVICES.

RESULTS:

- Researched and developed new insurance products or enhanced existing products, including:
  - offering insurance on perennial ryegrass seed;
  - launching a Pasture Insurance program on a pilot project basis;
  - introducing a Forage Restoration Benefit that provides spot loss compensation for tame forage lost due to flooding and excessive rainfall.
- Standardized hail loss adjusting procedures to those of the Canadian Hail Council.
- Developed a number of new products for the 2003 crop year, such as insuring additional crops grown for pedigreed seed and splitting potatoes and beans into more crop types.

STRATEGIC DIRECTION:

ENSURE THAT THE GOVERNING LEGISLATION AND POLICIES PROVIDE PRODUCERS WITH EFFECTIVE RISK MANAGEMENT ALTERNATIVES.

RESULTS:

- The Corporation's General Manager represented Manitoba on the Business Risk Management component of the new Agricultural Policy Framework (APF). Alternative coverage options and new insurance programs are being pursued under the APF.
- Changes to the Federal Regulations to allow greater future program flexibility are expected for the 2004 crop year.

STRATEGIC DIRECTION:

ENHANCE THE AWARENESS OF INDUSTRY AND GOVERNMENT AS TO THE IMPORTANCE OF THE CORPORATION'S RISK MANAGEMENT PROGRAMS IN TERMS OF REDUCING OVERALL RISK IN THE AGRICULTURAL SECTOR.

RESULTS:

- Expanded third party access to non-confidential Corporation data via the Internet.
- Agency staff continued to meet with staff from agricultural businesses and lending agencies to promote the benefits of crop insurance.
- Promoted safer farming practices through a partnership with the Community Farm Safety Project.

STRATEGIC DIRECTION:

STRENGTHEN HUMAN RESOURCES . WITH BETTER TRAINING, MORE EFFECTIVE COMMUNICATION AND ENSURE THAT WE HAVE THE RIGHT PEOPLE FOR EXISTING AND NEW INITIATIVES.

RESULTS:

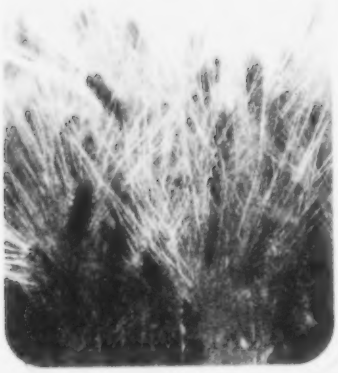
- Developed a formal orientation process for new employees.
- Developed a Workers Working Alone Plan to improve the safety of adjusting staff.
- Reviewed expected retirements over the next five years for the purpose of identifying succession-planning requirements.

STRATEGIC DIRECTION:

SEEK OUT REVENUE AND FUNDING OPPORTUNITIES THAT WILL SUPPORT PRODUCT DEVELOPMENT AND SERVICE DELIVERY.

RESULTS:

- Purchased private sector reinsurance for the Crop Insurance Program to assist in a smooth transition to a lower but sustainable reserve level. Due to the large reserve, premium rates to producers and both levels of government were reduced by over 26%.
- Purchased private sector reinsurance for the Hail Insurance Program.
- Revised the Corporation's Investment Policy to allow investments for periods of longer than one year.



- Reviewed the revenue-generating activities of other crop insurance agencies to determine if there are opportunities that may be applicable to the Corporation.
- Earned revenue by providing services to third parties for audit and measurement, and recovered the cost of registering assignments for the Spring Credit Advance Program from the Federal Government.

STRATEGIC DIRECTION:

CONTINUE TO IMPROVE EFFICIENCIES THROUGH STREAMLINED PROCESSES AND BETTER USE OF TECHNOLOGY.

RESULTS:

- Processed 10% of all post harvest claims using producer declarations.
- Tripled the number of agencies participating in the permanent bin identification project.
- Implemented a direct deposit system for adjusters' expenses.
- Expanded the Hail Pilot Project from 15 to 25 adjusters, with 36% of all hail claims completed on farm using laptop computers.
- Introduced a computerized sales tool, which assists in explaining program features to producers.
- Upgraded the Corporation's computer system and communication lines to provide more efficient data processing. These changes were a first step to providing clients with e-business access in 2003.

PERFORMANCE INDICATORS

CROP INSURANCE PROGRAM

Insured acreage increased by 7% to over 9.1 million acres, exceeding the target level by 300,000 acres. Insured annual crops increased by 500,000 acres, with insured forages up by over 100,000 acres.

The average coverage level selection increased by 2.2 percentage points to 73.4%, exceeding the targeted increase of 0.2 percentage points.

Total liability increased by 24% to over $1.2 billion, which was $150 million over the targeted increase. Much of the increase was due to higher insured prices.

Administrative expenses were 6.2% under budget in 2002/03, with the Corporation continuing to maintain one of the lowest administrative expense ratios of all Canadian crop insurance agencies at 8.3% of gross premium income (11.2% of premium income after discounts).

HAIL INSURANCE PROGRAM

Total liability increased by almost 30% to $290 million, exceeding the targeted increase of 2%.

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HAIL INSURANCE PROGRAM

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BOARD OF DIRECTORS

Walter W. Kolisnyk, Chairperson
Minitonas

Hazel A. Arndt, Vice-Chairperson
Roblin

Brad R. Mroz
Beausejour

Harry S. Sotas
Solsgirth

Frank R. Fiarchuk
Arborg

BACK ROW: Harry Sotas, Brad Mroz, Frank Fiarchuk
FRONT ROW: Hazel Arndt, Walter Kolisnyk

CORPORATE OFFICERS

Neil A. Hamilton, B.S.A., M.Sc., Ph.D.
General Manager

Jim V. Lewis, B.S.A., C.M.A.
Director of Finance and Administration

Herb Sulkers, B.Sc.
Director of Field Operations

Paul M. Bonnet, B. Comm.
Director of Research and Program Development

Kim M. Poschenrieder, B.S.A.
Corporate Secretary

BACK ROW: Paul Bonnet, Kim Poschenrieder
FRONT ROW: Herb Sulkers, Neil Hamilton, Jim Lewis

LEGAL COUNSEL

Thompson Dorfman Sweatman

ADMINISTRATION

The Manitoba Crop Insurance Corporation (MCIC) is a Crown Corporation of the Province of Manitoba. The Corporation's policies are established by its Board of Directors, which reports directly to Manitoba's Minister of Agriculture and Food. The Board and staff consult on a regular basis with producers and producer groups with respect to crop insurance issues and needs.

The Corporation has a permanent complement of 101 staff years, supplemented as required by adjusting and part-time staff. MCIC employs over 150 adjusters.

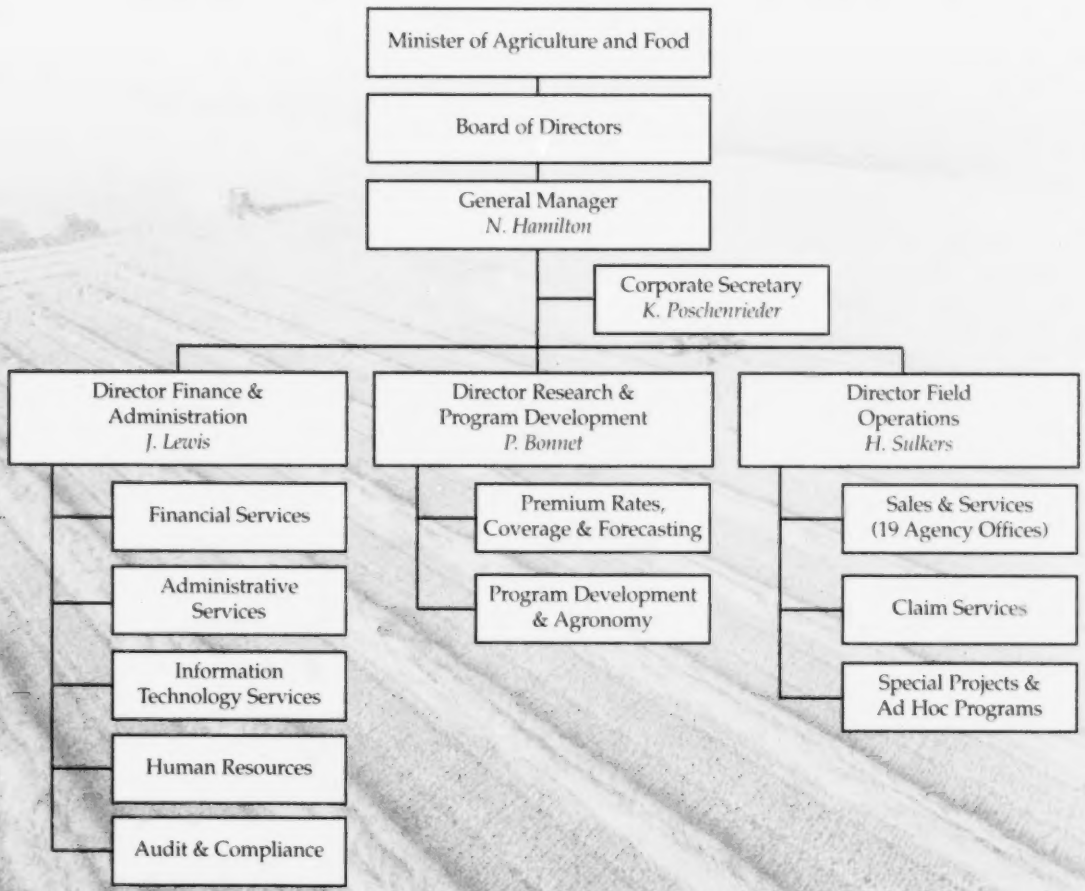
An independent three-member Appeal Tribunal holds hearings related to disputes between insured producers and the Corporation respecting the Corporation's assessment of loss or damage. The Appeal Tribunal's decisions are final and binding on both parties.

The Corporation's programs and services are delivered by 19 Agency Offices, strategically located throughout the province, which are shown on the Agencies map (Page 20). Head Office is located in Portage la Prairie. Agency Offices are connected to the main computer at Head Office for efficient access and processing of clients' data. A local area network provides for electronic communications amongst all staff and offices.

The Corporation fully supports and participates in the Manitoba Government's initiatives under *The Sustainable Development Act*. In its daily operations, MCIC encourages and facilitates activities that reduce, reuse, recycle and recover resources where possible. Activities range from using recycled paper in printers and photocopiers to promoting the use of teleconferencing for meetings.

ORGANIZATION CHART

MANITOBA CROP INSURANCE CORPORATION – MARCH 31, 2003



CURRENT PROGRAMS

CROP INSURANCE PROGRAM

The Crop Insurance Program provides production insurance against natural perils for 45 separate crops. Insurance is also provided for forages during the establishment stage and for the inability to seed land due to wet conditions.

The natural perils covered by insurance include drought, excess moisture (rainfall or flood), frost, hail, fire, excess heat, wind, wildlife and waterfowl, disease and pests. Causes of loss that are within an insured producer's control are not covered.

Producers can select coverage levels of 50%, 70% or 80%. Individual crops can be insured at different coverage levels or can be excluded from coverage completely. Coverage is based on the producer's expected (probable) yield multiplied by the coverage level selection multiplied by the number of insured acres. If harvested production falls below coverage, an indemnity equal to the production shortfall multiplied by the dollar value is paid to the insured producer.

Excess Moisture Insurance (EMI) is a basic feature of the Crop Insurance Program. All producers with an active crop insurance contract have EMI coverage on land intended for spring seeding, with the related premiums paid by the two levels of government. If producers are unable to seed their land by June 20th due to wet conditions, they receive compensation of $50 per acre multiplied by the number of eligible acres, less the applicable deductible. A zero deductible option is available. The Forage Restoration Benefit provides comparable basic coverage for insured forage stands that are destroyed due to excess spring moisture.

For insurance purposes, the Province is divided into fifteen areas of similar crop production risk based on factors such as climate, topography and yield history. The risk areas, which are shown on the Risk Areas map (Page 19), form the geographic basis for the determination of coverage and premium rates. The probable yields that are used to determine coverage are individualized based on the producer's yield history relative to the area average.

Premium costs are shared between insured producers and the Governments of Canada and Manitoba. For the 50% coverage level and basic EMI, there is no producer premium, with the related cost being paid 60% by Canada and 40% by Manitoba. For coverage above the 50% level, producers pay half of the premium cost with the remainder shared equally by Canada and Manitoba. For the EMI zero deductible option, producers pay all of the premium cost. A producer's claim experience results in premium discounts or surcharges.

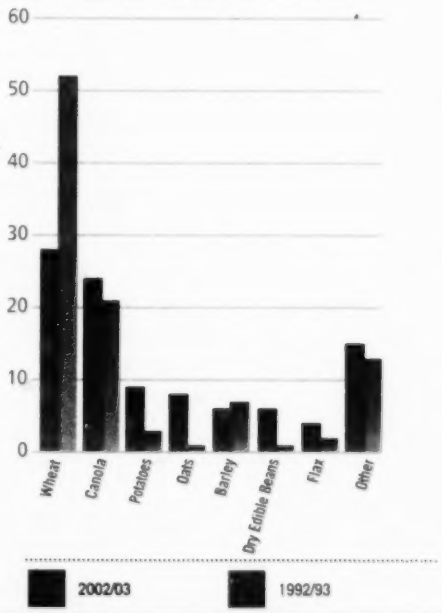
In 2002/03, producers paid an administration fee of $0.25 per acre, which provided for approximately 23% of total administrative expenses. The remainder of the administrative expenses is shared equally by the two levels of government.

Claims are adjusted on a crop specific basis. Insured producers receive indemnity payments based on the difference between their coverage and the total amount of harvested production. If the grade of the harvested crop falls below the quality guarantee, harvested production is reduced by the relative market value of the crop.

Table 3 (Page 16) provides a summary of insurance written in 2002/03, including the major causes of loss by crop. Seven of Manitoba's major crops – wheat, canola, potatoes, oats, barley, dry edible beans and flax – accounted for over 85% of total coverage. Compared to ten years earlier, the percentage of total coverage has increased for dry edible beans (575%), oats (489%), potatoes (226%), flax (56%) and canola (14%), and has decreased for barley (16%) and wheat (47%). These changes reflect Manitoba producers' continued diversification and movement to higher value crops. The relative shift in crops is illustrated in Figure 1.

FIGURE 1

CROP INSURANCE PROGRAM
COVERAGE WRITTEN
PERCENTAGE OF TOTAL COVERAGE



A good illustration of the regional weather variability in 2002 was the contrast between the two major causes of loss – excess moisture versus drought and heat. Excess moisture accounted for 42% of total losses whereas drought and heat accounted for 32% of total losses. Figure 2 shows the major causes of loss in 2002/03, with the historical causes of loss shown in Figure 3.

The crop insurance loss ratio (losses as a percentage of premium) for the 2002 crop year averaged 85%. By crop, the largest loss ratios occurred in greenfeed (429%), canaryseed (311%), lentils (309%), triticale (244%) and durum wheat (214%). The smallest loss ratios occurred in grain corn, soybeans and dry edible beans, which all had loss ratios of 30% or less.

In summary, over 9.1 million acres were insured under the Crop Insurance Program for the 2002 crop year. This is the largest acreage ever insured by MCIC. The acreage increase includes a 27% increase in tame hay acres to 464,000 acres. Figure 4 illustrates the total number of acres insured over the past five years. Part of the reason why insured acreage dropped in 1999 and again in 2001 was due to land not being seeded on account of excess spring moisture.

Total premiums after discounts for 2002/03 were $89.7 million on $1.2 billion of coverage (liability). Indemnity payments for the year totalled $76.0 million. A historical summary of premiums and indemnities is shown in Table 4 (Page 17), with the most recent five years illustrated in Figure 5.

After accounting for interest revenue of $8.4 million, MCIC had a net income of $7.2 million in 2002/03. This resulted in retained earnings increasing from $265.8 million to $273.0 million.

FIGURE 2

CROP INSURANCE PROGRAM
2002/03 CAUSES OF LOSS

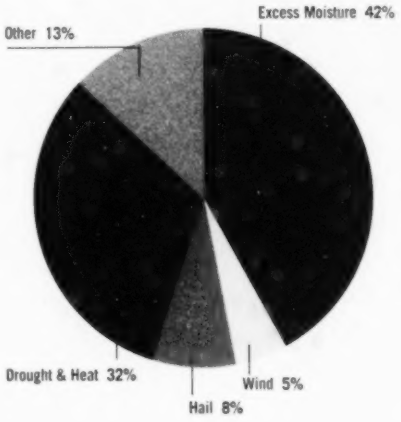


FIGURE 3

CROP INSURANCE PROGRAM
HISTORICAL CAUSES OF LOSS
(1967/68 TO 2001/02)

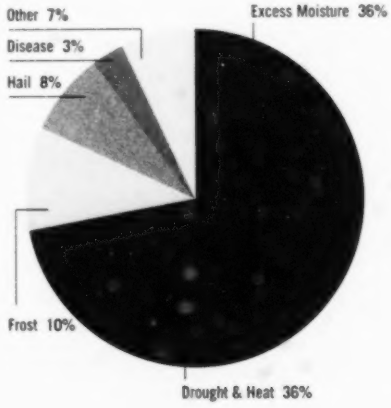


FIGURE 4

CROP INSURANCE PROGRAM
ACRES INSURED
(MILLIONS)

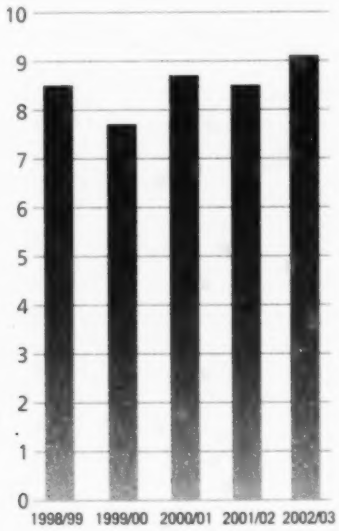
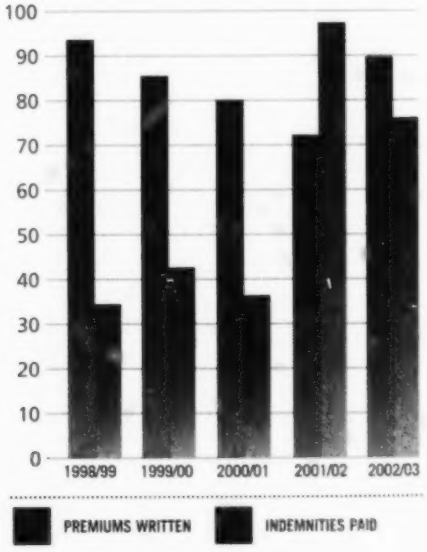


FIGURE 5

CROP INSURANCE PROGRAM
TOTAL PREMIUMS AND INDEMNITIES
($ MILLIONS)



HAIL INSURANCE PROGRAM

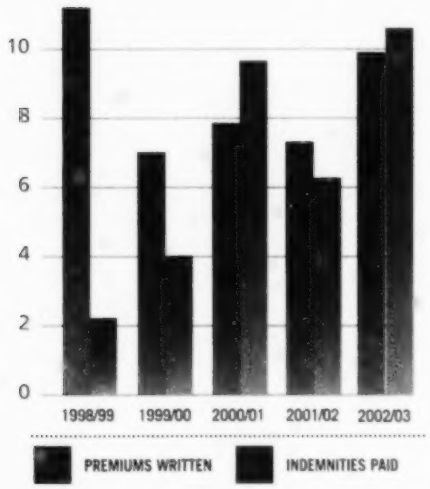
A separate policy covering spot loss hail damage is available to producers enrolled in the Crop Insurance Program. Producer premiums pay all of the costs of the Hail Insurance Program, including administrative expenses. Premium rates are calculated based on Crop Insurance Program risk areas, rather than by township as is the case for private insurance. Coverage can be selected at any time during the growing season and is available in various dollar amounts depending on the crop. The Hail Insurance Program also provides coverage for losses due to accidental fires.

In 2002/03, MCIC insured 2.7 million acres for a total coverage of $290 million. Total premium prior to discounts was $9.9 million, with indemnities of $10.6 million. The resulting loss ratio was 106%. Figure 6 provides a summary of Hail Insurance Program experience over the last five years.

After adjusting for interest revenues of $0.6 million, reinsurance premium of $0.9 million and administrative expenses of $1.7 million, the Hail Insurance Program had an operating loss for the year of $2.8 million. Retained earnings decreased from $20.4 million to $17.6 million.

FIGURE 6

HAIL INSURANCE PROGRAM
PREMIUMS AND INDEMNITIES
($ MILLIONS)



WILDLIFE DAMAGE COMPENSATION PROGRAM

The Wildlife Damage Compensation Program reduces the financial loss suffered by producers from damage to crops and other agricultural products caused by migratory waterfowl and big game. In 1997/98, the Wildlife Damage Compensation Program was expanded to include compensation for agricultural livestock killed or injured by natural predators.

Compensation is paid on 100% of lost production. Producers are expected to take reasonable steps to prevent wildlife damage and predator attacks.

For 2002/03, Wildlife Damage Compensation Program payments and administrative expenses totalled $1.9 million. Payments were up 38% from the previous year. Experience for the three program components is shown in Table 1 below. Figure 7 provides a summary of wildlife compensation payments and administrative expenses for the last five years.

FIGURE 7

WILDLIFE DAMAGE
COMPENSATION PROGRAM
COMPENSATION AND
ADMINISTRATIVE EXPENSES
($ MILLIONS)

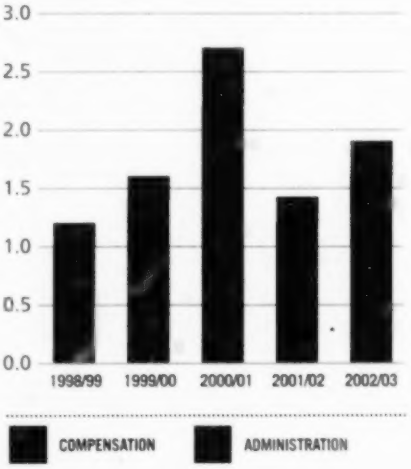


TABLE 1

WILDLIFE DAMAGE COMPENSATION PROGRAM

Damage Caused by	Number of Claims		Compensation (000)		Administration (000)		Total (000)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
Big Game	581	533	$ 800.4	$ 573.7	$ 138.8	$ 126.8	$ 939.2	$ 700.5
Waterfowl	246	162	484.1	321.4	39.1	31.4	523.2	352.8
Livestock Predation	1,018	785	337.2	284.3	104.1	94.7	441.3	379.0
Total Wildlife Damage Compensation	**1,845**	**1,480**	**$1,621.7**	**$1,179.4**	**$ 282.0**	**$ 252.9**	**$1,903.7**	**$1,432.3**

TABLE 2

FIVE YEAR STATISTICS

	2002/03	2001/02	2000/01	1999/00	1998/99
Crop Insurance Program					
Total coverage ($ millions)	1,201.6	966.9	832.2	855.2	884.1
Number of producer contracts	10,928	11,054	11,309	11,273	11,644
Insured acres (000)	9,140	8,542	8,683	7,687	8,496
Premiums – Producers ($000)	26,056	19,941	21,490	23,492	25,517
Premiums – Government of Canada ($000)	35,676	29,357	32,939	34,874	38,320
Premiums – Province of Manitoba ($000)	27,990	22,895	25,542	27,164	29,800
Total premiums ($000)	89,722	72,193	79,970	85,530	93,638
Indemnities paid ($000)	75,961	97,347	36,291	42,558	34,346
Number of claims paid	10,125	10,525	6,013	6,194	6,831
Administrative expenses ($000)	10,016	9,996	9,221	8,667	8,541
Average acres per contract	836	773	768	682	730
Average coverage per contract ($)	109,956	87,470	73,587	75,863	75,928
Average coverage level selected (%)	73.4	71.2	70.9	71.3	71.4
Average producer premium per contract ($)	2,384	1,804	1,900	2,084	2,191
Average total premium per contract ($)	8,210	6,531	7,071	7,587	8,042
Average indemnity per claim ($)	7,502	9,249	6,035	6,876	5,028
Net income for the year ($ millions)	7.2	(20.4)	57.7	52.8	58.4
Funds retained at year end ($ millions)	273.0	265.8	286.2	228.5	175.7
Hail Insurance Program					
Total coverage ($ millions)	289.9	223.8	241.6	185.4	274.3
Number of producer contracts	3,734	3,238	3,444	3,378	4,533
Insured acres (000)	2,674	2,105	2,295	2,029	3,009
Premiums, net of discounts ($000)	9,687	7,131	7,754	7,012	11,232
Indemnities paid ($000)	10,568	6,325	9,738	4,048	2,173
Number of claims paid	2,157	1,509	2,646	1,331	746
Administrative expenses ($000)	1,701	1,503	1,773	1,418	1,460
Average acres per contract	716	650	666	601	664
Average coverage per contract ($)	77,637	69,117	70,151	54,885	60,512
Average premium per contract ($)	2,594	2,202	2,251	2,076	2,478
Average indemnity per claim ($)	4,899	4,192	3,680	3,042	2,912
Net income for the year ($ millions)	(2.8)	(0.3)	(0.8)	2.2	8.7
Funds retained at year end ($ millions)	17.6	20.4	20.7	21.5	19.3
Wildlife Damage Compensation Program					
Number of claims paid	1,845	1,480	1,987	1,325	1,136
Amount of compensation paid ($000)	1,622	1,179	2,221	1,378	1,011
Administrative expenses ($000)	282	253	487	215	172
Average compensation per claim ($)	879	797	1,118	1,040	890

2002 CROPPING CONDITIONS

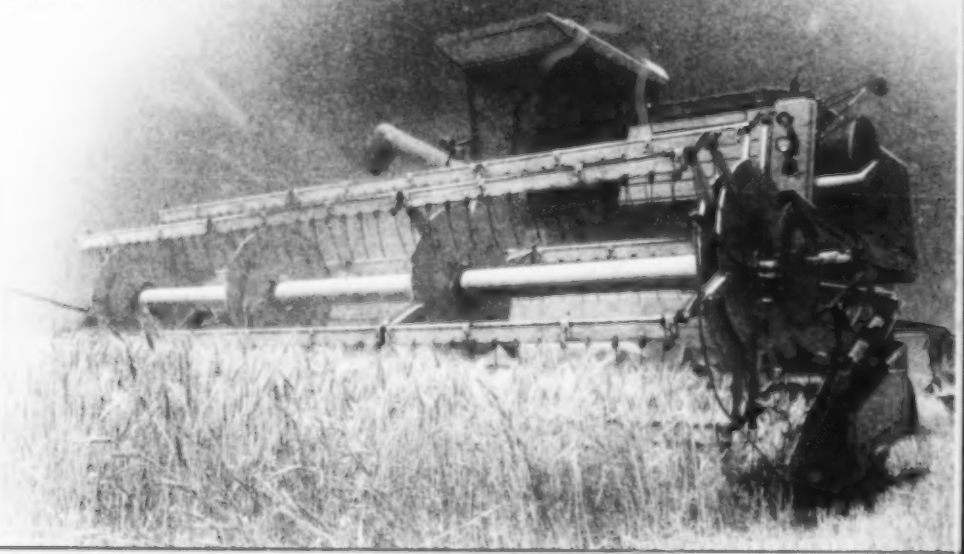
The 2002 crop year was one of extremes and presented many challenges. Cool weather during May and June slowed early crop growth. Spring frosts and dry soil conditions resulted in many crops being reseeded. Most of the 2002 crop was sown by the first week of June. Then, for a second year in a row, southeastern Manitoba experienced heavy rainfall and related crop losses.

Warmer than average temperatures started at the end of June and continued into July. The hot conditions accelerated crop development and in some cases resulted in severe stress. Crop diseases and insects generally were less of a problem in 2002 than they had been a year earlier. Cool wet weather arrived in mid-August, delaying the ripening of some crops. Harvest generally began at the end of August, but was slowed by frequent rains. The harvest conditions resulted in significant grade losses including sprouting, bleaching and mildew. In addition to the quality concerns, late August and early September hailstorms in the southern region of the province resulted in considerable late season losses. Significant harvest progress was made during the last two weeks of September and by the time snow fell in late October, very little crop was left in the field.

Despite the weather extremes, crops averaged better than expected and Manitoba producers generally fared much better than their counterparts in Saskatchewan and Alberta. Although Manitoba yields were quite variable, they averaged about 10% above the long-term average for red spring wheat, Argentine canola and peas (37 bu/ac, 30 bu/ac and 32 bu/ac, respectively) and 5% above the average (20 bu/ac) for flax. In contrast, yields of barley and oats were roughly 10% below average (50 bu/ac and 59 bu/ac, respectively).

Hay yields for the most part were adequate and of good quality. Most regions were able to take their normal number of cuts of hay. Some pastures in the central and Interlake regions were in poor condition for part of the season. Producers who were affected by localized shortages of winter hay were able, for the most part, to substitute greenfeed, straw and poor quality cereals.

DESPITE THE WEATHER EXTREMES, CROPS AVERAGED BETTER THAN EXPECTED...



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DESPITE THE WEATHER EXTREMES, CROPS AVERAGED BETTER THAN EXPECTED...

SUMMARY OF INSURANCE WRITTEN AND MAJOR CAUSES OF LOSS BY CROP

FOR THE YEAR ENDED MARCH 31, 2003

Crop	Acres Insured	Coverage (000)	Total Premium (000)	Indemnities (000)	Loss Ratio (%)	Major Causes of Loss	(%)		(%)		(%)
Red Spring Wheat	2,585,809	$ 312,031.1	$ 18,984.1	$ 11,629.9	61	Excess Moisture	48	Drought	27	Hail	11
Durum Wheat	28,544	3,385.2	263.4	563.9	214	Drought	56	Heat	17	Wet Harvest	14
Extra Strong Wheat	14,783	1,536.6	118.6	177.3	150	Drought	68	Excess Moisture	15	Hail	7
Prairie Spring Wheat	28,444	3,565.1	235.5	405.1	172	Drought	82	Excess Moisture	8		
Feed Wheat	18,317	1,633.2	119.6	39.8	33	Drought	56	Excess Moisture	44		
Winter Wheat	194,191	21,591.5	1,736.1	2,279.7	131	Drought	46	Poor Germination	21	Excess Moisture	14
Barley	845,212	75,255.1	4,326.1	6,816.5	158	Excess Moisture	47	Drought	29	Heat	8
Oats	872,700	94,259.5	6,294.8	11,148.1	177	Excess Moisture	53	Drought	19	Hail	9
Mixed Grain	7,831	509.8	46.8	60.1	128	Excess Moisture	41	Drought	27	Hail	14
Fall Rye	39,306	2,166.2	166.5	290.0	174	Drought	52	Poor Germination	21	Excess Moisture	12
Triticale	2,918	136.6	10.5	25.6	244	Drought	61	Excess Moisture	24		
Canola	2,050,676	293,115.8	21,204.7	14,230.4	67	Drought	25	Excess Moisture	18	Hail	8
Flax	422,834	46,078.4	3,434.1	3,463.1	101	Drought	35	Excess Moisture	30	Heat	9
Mustard	31,726	3,989.7	567.7	988.6	174	Drought	43	Hail	17	Excess Moisture	16
Oil Sunflowers	36,944	4,850.0	408.5	343.1	84	Excess Moisture	54	Drought	19	Hail	12
Non Oil Sunflowers	168,751	30,101.2	2,489.8	3,731.8	150	Excess Moisture	44	Drought	17	Disease	11
Buckwheat	16,604	1,087.4	207.6	133.2	64	Excess Moisture	52	Drought	27	Hail	8
Grain Corn	141,206	25,987.0	3,449.5	357.2	10	Excess Moisture	52	Hail	31	Adverse Weather	10
Silage Corn	32,740	6,224.3	248.9	210.2	85	Excess Moisture	47	Drought	39	Heat	10
Potatoes	84,096	108,027.5	5,562.4	3,180.7	57	Excess Moisture	82	Heat	6	Hail	5
Vegetables *	767	1,280.9	43.3	32.2	74	Wind	26	Cutworms	26	Frost	26
Field Peas	174,261	15,864.7	1,121.9	1,297.2	116	Drought	35	Excess Moisture	27	Hail	21
Lentils	310	26.6	4.4	13.6	309	Excess Moisture	68	Adverse Weather	21	Drought	11
Fababeans	9,853	1,143.5	153.8	122.4	80	Drought	49	Excess Moisture	33	Heat	8
Dry Edible Beans *	306,854	70,343.0	8,051.9	2,379.2	30	Excess Moisture	72	Hail	17	Frost	6
Soybeans	101,144	10,569.6	1,320.2	226.9	17	Excess Moisture	88				
Tame Hay *	464,703	30,190.2	2,347.4	2,336.7	100	Drought	83	Excess Moisture	10		
Pasture		110.0	13.8	23.1	167	Drought	76	Frost	16		
Native Hay	35,059	896.1	133.3	163.8	123	Excess Moisture	80	Drought	20		
Forage Establishment	171,994	5,568.8	757.4	1,183.2	156	Excess Moisture	44	Drought	27	Heat	12
Pedigreed Timothy Seed	23,492	2,243.3	322.4	159.5	50	Drought	40	Excess Moisture	35	Hail	15
Alfalfa Seed	37,717	6,063.6	930.4	497.9	54	Excess Moisture	33	Adverse Weather	20	Heat	14
Canaryseed	103,432	14,303.8	1,201.0	3,735.2	311	Excess Moisture	65	Heat	19	Drought	6
Annual Ryegrass Seed	3,339	408.1	51.9	88.4	170	Excess Moisture	61	Drought	33		
Perennial Ryegrass Seed	7,337	1,069.0	146.3	226.5	155	Excess Moisture	65	Drought	25		
Hemp Grain	1,548	243.7	18.6	20.7	111	Excess Moisture	34	Drought	27	Frost	10
Greenfeed	71,826	5,509.8	274.6	1,178.7	429	Drought	61	Excess Moisture	29		
Open Pollinated Corn	2,768	307.3	49.6	17.3	35	Drought	26	Adverse Weather	21	Grasshoppers	21
Unallocated Adjustments			0.4	1,633.5							
Subtotal	9,140,036	$ 1,201,673.2	$ 86,817.8	$ 75,410.3	87	Excess Moisture	42	Drought & Heat	32	Hail	8
Forage Restoration Benefit	523,160	$ 19,880.1	68.0	48.4	71						
Excess Moisture Insurance	8,396,603	$ 399,799.5	2,836.3	502.6	18						
Total			$ 89,722.1	$ 75,961.3	85						

*Dry Edible Beans include White Pea, Pinto, Kidney and Cranberry and Other Dry Edible Beans
Tame Hay includes Alfalfa, Alfalfa/Grass Mixtures, Grasses and Sweet Clover
Vegetables include Carrots, Cooking Onions, Rutabagas and Parsnips

TABLE 4

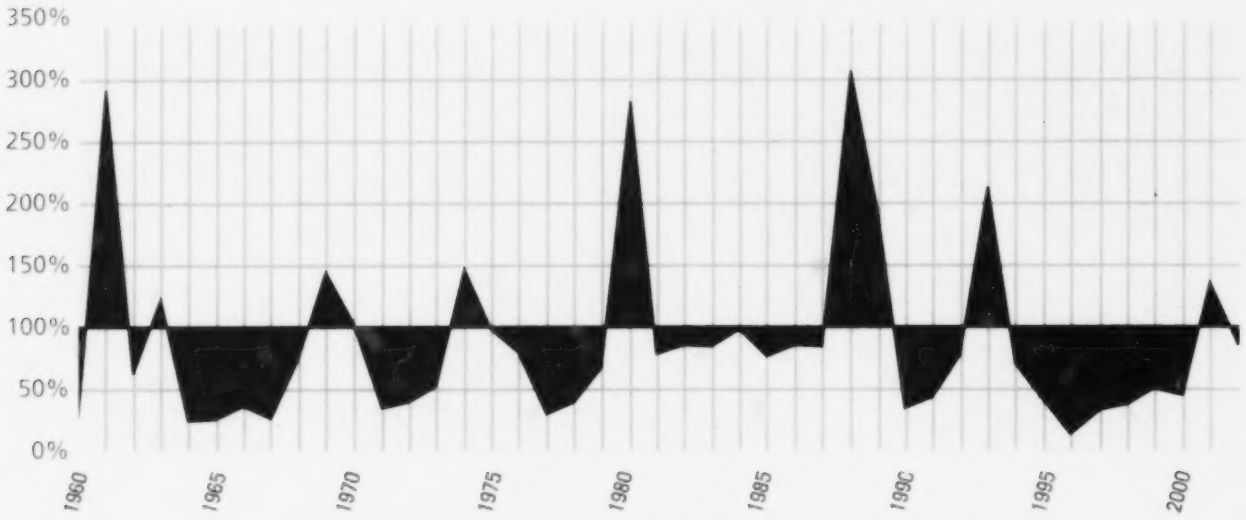
SUMMARY OF PARTICIPATION, PREMIUMS AND INDEMNITIES PAID

	Crop Insurance Program[1]							Hail Insurance Program					
Year	Number of Contracts[2]	Acres Insured	Coverage ($000)	Producer Premiums ($000)	Total Premiums[3] ($000)	Indemnities ($000)	Annual Loss Ratio (%)	Number of Contracts	Acres Insured	Coverage ($000)	Premiums[4] ($000)	Indemnities ($000)	Annual Loss Ratio (%)
1970-71	13,669	1,587,276	26,873	1,505.2	2,006.9	2,061.5	103	1,583	227,926	4,576	114.3	112.8	99
1971-72	13,233	2,244,971	36,961	2,187.3	2,916.4	1,018.4	35	2,668	561,663	11,463	279.9	80.1	29
1972-73	11,945	2,027,966	35,354	1,895.8	2,527.8	983.1	39	2,443	528,351	10,932	270.9	70.5	26
1973-74	13,585	3,070,213	59,651	2,135.6	4,271.3	2,216.5	52	3,626	983,978	24,521	550.0	617.0	112
1974-75	13,878	3,220,838	81,769	2,846.6	5,693.2	8,299.4	146	3,681	1,016,056	30,928	684.6	423.2	62
1975-76	14,199	3,640,868	126,602	4,785.4	9,570.8	9,338.9	98	4,411	1,255,907	42,472	902.8	1,239.5	137
1976-77	14,583	4,019,879	151,564	5,630.8	11,261.7	8,881.8	79	4,263	1,317,874	47,318	1,029.2	1,197.2	116
1977-78	18,016	5,134,974	210,442	9,384.7	18,769.5	5,590.6	30	4,751	1,530,513	57,205	1,261.5	1,231.5	98
1978-79	15,950	4,551,774	189,208	8,273.6	16,547.2	6,445.4	39	5,062	1,729,463	66,998	1,700.1	1,825.2	107
1979-80	17,275	4,237,086	186,806	8,355.8	16,711.6	11,177.1	67	4,260	1,576,189	63,685	1,683.2	997.9	59
1980-81	14,176	4,741,665	245,847	9,763.1	19,526.1	55,288.7	283	3,518	1,225,244	62,927	1,552.3	1,042.7	67
1981-82	14,633	4,945,403	301,470	12,035.9	24,071.8	18,770.3	78	4,435	1,753,538	94,251	2,273.1	2,266.4	100
1982-83	14,087	4,869,848	309,764	13,256.1	26,512.1	22,600.4	85	4,686	1,961,043	128,490	3,196.1	2,557.6	80
1983-84	13,837	4,878,330	322,254	13,329.9	26,659.7	22,297.6	84	5,104	2,193,680	142,994	3,520.8	3,038.1	86
1984-85	14,087	5,201,958	355,025	15,028.4	30,056.8	29,543.0	98	6,079	2,708,265	178,872	4,603.9	7,728.1	168
1985-86	14,723	5,577,676	438,226	21,827.7	43,655.4	33,287.6	76	6,678	3,113,683	258,223	8,125.4	3,696.9	45
1986-87	14,671	5,567,024	436,142	21,509.1	43,018.1	36,561.7	85	6,634	3,078,347	255,947	8,255.6	6,535.7	79
1987-88	14,070	5,230,009	333,527	16,530.5	33,061.1	27,921.7	84	5,607	2,487,981	203,797	6,645.5	2,822.3	42
1988-89	14,068	5,622,239	375,629	19,188.4	38,376.8	117,923.8	307	5,165	2,175,320	182,635	5,866.2	3,738.6	64
1989-90	15,765	6,645,918	673,831	35,691.2	71,382.3	138,706.8	194	5,147	2,298,720	187,181	5,574.8	9,688.7	174
1990-91	15,670	6,436,601	567,129	36,966.5	73,932.9	25,196.0	34	4,701	2,062,319	170,653	5,395.0	3,488.0	65
1991-92	15,134	6,431,439	391,504	24,730.1	49,460.2	21,350.6	43	2,193	1,047,118	84,737	2,884.8	3,140.8	109
1992-93	13,660	5,899,450	442,477	25,465.3	50,930.7	39,328.4	77	2,406	1,214,543	98,448	3,471.6	2,399.8	69
1993-94	12,799	5,848,025	458,161	24,495.7	48,991.3	104,188.7	213	2,726	1,429,518	115,933	4,100.7	7,115.9	174
1994-95	12,482	6,319,940	512,912	27,161.3	54,322.6	38,036.7	70	2,773	1,481,142	122,867	4,924.6	4,998.6	102
1995-96	11,972	5,811,596	488,366	26,952.0	53,904.1	22,249.3	41	3,705	2,150,903	187,016	7,588.9	5,107.2	67
1996-97	12,788	8,175,360	755,404	23,435.3	82,464.7	11,101.5	13	5,364	3,440,183	315,785	11,813.2	3,801.0	32
1997-98	12,421	8,439,182	900,449	26,833.0	97,398.7	32,494.6	33	5,203	3,383,648	307,827	12,583.3	7,987.0	63
1998-99	11,644	8,495,967	884,092	25,517.2	93,637.5	34,346.3	37	4,533	3,009,432	274,323	11,232.0	2,172.5	19
1999-00	11,273	7,687,037	855,227	23,491.6	85,529.6	42,557.9	50	3,378	2,029,004	185,403	7,012.0	4,048.3	58
2000-01	11,309	8,683,097	832,206	21,490.3	79,970.3	36,291.5	45	3,444	2,295,240	241,578	7,945.5	9,737.6	123
2001-02	11,054	8,541,961	966,901	19,941.5	72,192.9	97,346.9	135	3,238	2,104,656	223,785	7,306.3	6,324.5	87
2002-03	10,928	9,140,036	1,201,563	26,056.0	89,722.1	75,961.3	85	3,734	2,674,340	289,859	9,929.8	10,568.0	106

(1) Excludes data from 1960-61 to 1969-70 and the Livestock Feed Security and Honey Programs • (2) Includes landlord contracts
(3) The total premium represents the producers' share plus the Government of Canada's and the Province of Manitoba's shares • (4) Hail Insurance Program premiums do not include discounts or surcharges
(5) For 2000-01, 2001-02, and 2002-03, the acres and coverage for Excess Moisture Insurance are not included in the Crop Insurance Program totals
(6) For 2002-03, the acres and coverage for the Forage Restoration Benefit are not included in the Crop Insurance Program totals

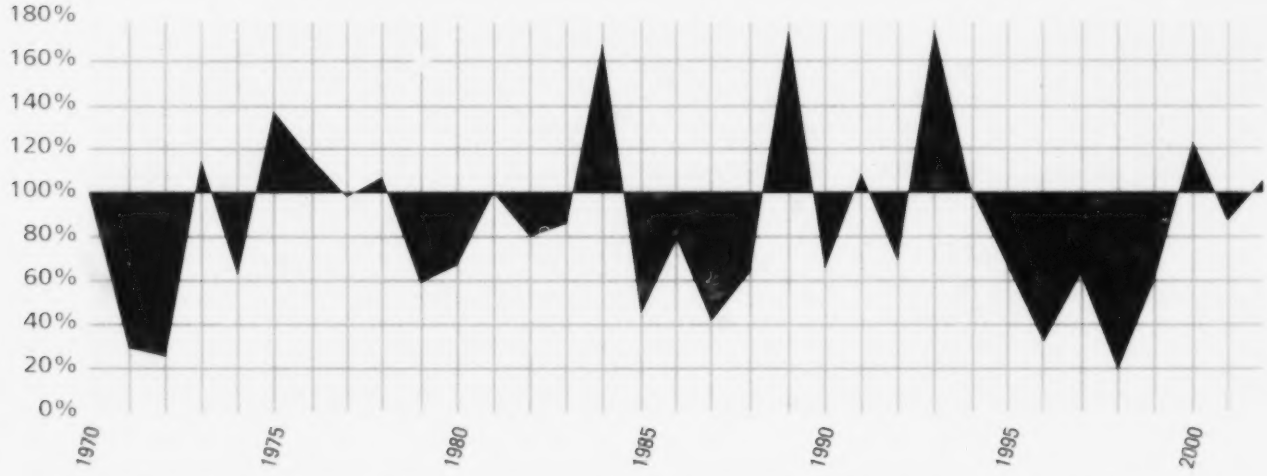
HISTORICAL LOSS RATIOS

CROP INSURANCE PROGRAM

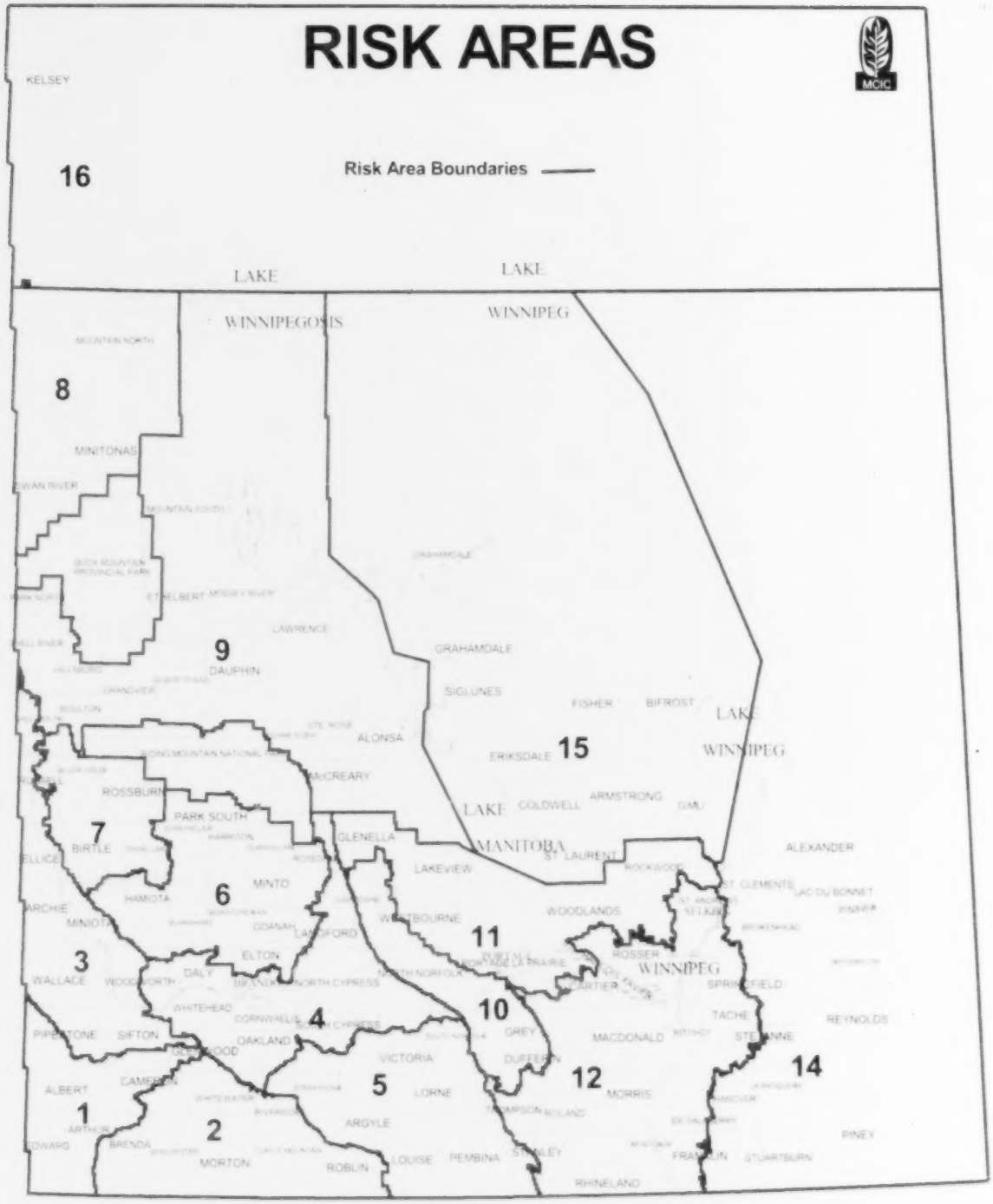


NOTE: In 2002, the loss ratio was 85%. For comparison purposes, the record low was 13% in 1996 and the record high was 307% in 1988.

HAIL INSURANCE PROGRAM



NOTE: In 2002, the loss ratio was 106%. For comparison purposes, the record low was 19% in 1998 and the record high was 174% in both 1989 and 1993.


RISK AREAS
Risk Area Boundaries
16
8
9
7
6
3
1
2
4
5
10
11
12
15
14
KELSEY
LAKE
WINNIPEGOSIS
WINNIPEG
MINITONAS
SWAN RIVER
DAUPHIN
GRAHAMDALE
SIGLUNES
FISHER
BIFROST
ALONSA
ERIKSDALE
MacCREARY
ROSSBURN
PARK SOUTH
BIRTLE
GLENELLA
MANITOBA
COLDWELL
ARMSTRONG
LAKEVIEW
ST. LAURENT
ALEXANDER
MINTO
HAMIOTA
ARCHIE
MINIOTA
WESTBOURNE
WOODLANDS
ELTON
LANSFORD
ROSSER
WINNIPEG
WALLACE
DALY
WHITEHEAD
CORNWALLIS
OAKLAND
GREY
MACDONALD
TACHE
REYNOLDS
PIPESTONE
SIFTON
VICTORIA
DUFFERIN
ALBERT
CAMERON
LORNE
MORRIS
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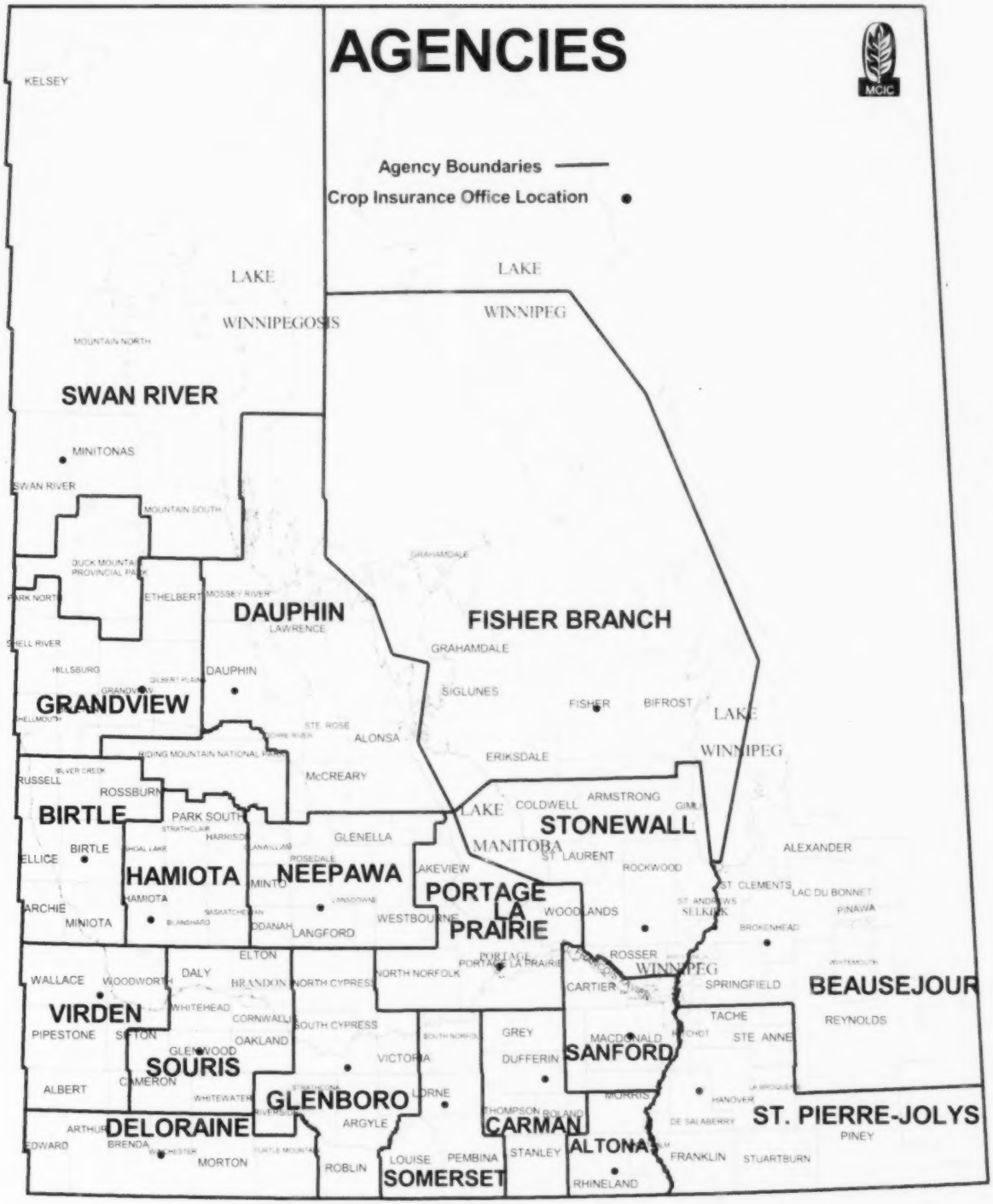
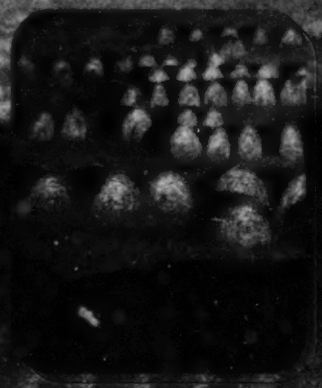
STUARTBURN
RHINELAND


AGENCIES
MCIC
Agency Boundaries
Crop Insurance Office Location
KELSEY
LAKE WINNIPEGOSIS
LAKE WINNIPEG
SWAN RIVER
MINITONAS
DAUPHIN
FISHER BRANCH
GRAHAMDALE
SIGLUNES
GRANDVIEW
DAUPHIN
ALONSA
ERIKSDALE
McCREARY
BIRTLE
ROSSBURN
STONEWALL
ARMSTRONG
COLDWELL
LAKE MANITOBA
ST. LAURENT
ROCKWOOD
ALEXANDER
HAMIOTA
NEEPAWA
GLENELLA
LAKEVIEW
PORTAGE LA PRAIRIE
WOODLANDS
ST. CLEMENTS
LAC DU BONNET
PINAWA
MINIOTA
ARCHIE
ELLICE
WESTBOURNE
LANGFORD
ODANAH
ELTON
ROSSER
WINNIPEG
CARTIER
SPRINGFIELD
BEAUSEJOUR
WALLACE
WOODWORTH
DALY
BRANDON
NORTH CYPRESS
NORTH NORFOLK
VIRDEN
WHITEHEAD
CORNWALL
SOUTH CYPRESS
TACHE
REYNOLDS
PIPESTONE
SIFTON
OAKLAND
GLENWOOD
SOURIS
VICTORIA
GREY
DUFFERIN
MACDONALD
SANFORD
STE. ANNE
ALBERT
CAMERON
WHITEWATER
GLENBORO
LORNE
MORRIS
HANOVER
ST. PIERRE-JOLYS
PINEY
ARTHUR
DELORAINE
ARGYLE
CARMAN
ALTONA
DE SALABERRY
EDWARD
BRENDA
MORTON
ROBLIN
LOUISE
PEMBINA
STANLEY
FRANKLIN
STUARTBURN
SOMERSET
RHINELAND



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for the year ended March 31, 2003

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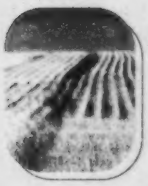

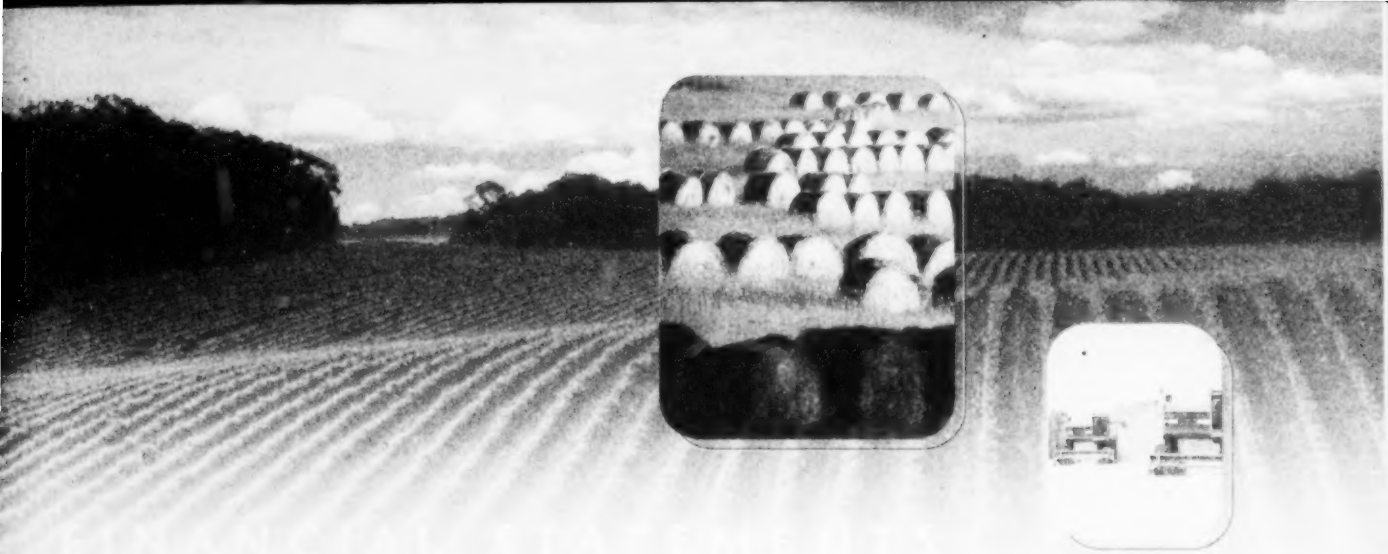

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RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manitoba Crop Insurance Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report which it has prepared.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without Management present, to discuss the results of their audit and the quality of financial reporting of the Corporation.

Neil Hamilton
General Manager

Jim Lewis
Director, Finance & Administration

June 26, 2003

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2003, the statement of operations and funds retained for the Crop Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-3. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 26, 2003

BALANCE SHEET

as at March 31, 2003

	Crop Insurance Program	Hail Insurance Program	Other Programs (Note 4)	2003 Total	2002 Total
Assets					
Cash	$ 284,860	–	–	$ 284,860	$ 3,133,973
Short-term investments (Note 3(B))	279,188,220	17,291,091	–	296,479,311	285,874,330
Accounts receivable (Note 5)	6,383,251	564,497	107,761	7,055,509	6,799,869
Prepaid expenses	105,615	–	–	105,615	107,902
Interprogram receivable	–	7,094	390,605	397,699	3,606,519
	285,961,946	17,862,682	498,366	304,322,994	299,522,593
Capital assets (Note 6)	682,641	–	–	682,641	950,858
	$ 286,644,587	17,862,682	498,366	$ 305,005,635	$ 300,473,451
Liabilities and Funds Retained					
Reinsurance premiums payable	$ 4,476,822	246,454	–	$ 4,723,276	$ 1,175,272
Indemnities payable (Note 7)	5,826,142	35,067	278,854	6,140,063	2,661,379
Accounts payable and accrued liabilities	2,310,008	–	191,086	2,501,094	2,867,022
Interprogram payable	397,699	–	–	397,699	3,606,519
Excess of revenue over expenditure (Statement 1)	–	–	28,426	28,426	3,033,031
	13,010,671	281,521	498,366	13,790,558	13,343,223
Deferred revenue (Note 8)	682,641	–	–	682,641	950,858
Funds retained	272,951,275	17,581,161	–	290,532,436	286,179,370
	$ 286,644,587	17,862,682	498,366	$ 305,005,635	$ 300,473,451

APPROVED BY THE BOARD:

Walter W Kolenick

Chairperson

Hazel Arndt.

Vice-Chairperson

CROP INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2003

	2003	2002
Revenue:		
Premiums		
Insured producers	$ 26,055,997	$ 19,941,473
Government of Canada (Note 3(F))	35,676,195	29,356,699
Province of Manitoba (Note 3(F))	27,989,945	22,894,712
	89,722,137	72,192,884
Less premiums ceded (Note 9)		
Reinsurance Fund of Canada	448,611	360,964
Reinsurance Fund of Manitoba	448,611	360,964
Excess of loss reinsurance	14,009,824	6,731,557
	14,907,046	7,453,485
Net premiums	74,815,091	64,739,399
Interest	8,380,255	12,207,836
Total revenue	83,195,346	76,947,235
Expenditure:		
Indemnities	75,961,304	97,346,945
Doubtful accounts	60,940	33,144
Administrative expenses – Schedule 1	10,016,194	9,995,769
Administrative expenses recovered from		
Government of Canada (Note 3(G))	(3,842,641)	(4,090,444)
Province of Manitoba (Note 3(G))	(3,847,811)	(4,095,659)
Insured producers (Note 3(G))	(2,325,742)	(1,809,666)
Net expenditure	76,022,244	97,380,089
Income (loss) for the year	7,173,102	(20,432,854)
Funds retained, beginning of year	265,778,173	286,211,027
Funds retained, end of year	$ 272,951,275	$ 265,778,173

HAIL INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2003

	2003	2002
Revenue:		
Premiums, net of discounts	$ 9,686,869	$ 7,131,002
Less premiums ceded for reinsurance (Note 10)	874,686	566,480
Net premiums	8,812,183	6,564,522
Interest and surcharges	624,800	899,449
Total revenue	9,436,983	7,463,971
Expenditure:		
Indemnities	10,567,991	6,324,512
Administrative expenses – Schedule 1	1,701,350	1,502,650
Doubtful accounts (recoveries)	(12,322)	(35,139)
Total expenditure	12,257,019	7,792,023
Income (loss) for the year	(2,820,036)	(328,052)
Funds retained, beginning of year	20,401,197	20,729,249
Funds retained, end of year	$ 17,581,161	$ 20,401,197

STATEMENT OF CASH FLOWS

for the year ended March 31, 2003

	Crop Insurance Program	Hail Insurance Program	2003 Total	2002 Total
Cash provided by (used for)				
Operating Activities:				
Income (loss) for the year				
Income (loss) before interest revenue	$ (1,207,153)	(3,444,836)	$ (4,651,989)	$ (33,868,191)
Interest revenue	8,380,255	624,800	9,005,055	13,107,285
	7,173,102	(2,820,036)	4,353,066	(20,760,906)
Items not involving cash				
Changes in allowance for doubtful accounts	(23,650)	(15,726)	(39,376)	(21,579)
Amortization of capital assets	335,751	–	335,751	397,011
Changes in:				
Accounts receivable	160,215	249,024	409,239	1,417,034
Interest receivable	(468,676)	(125,095)	(593,771)	4,982,568
Prepaid expenses	2,287	–	2,287	8,871
Interprogram receivable/payable	(2,969,932)	(126,538)	(3,096,470)	3,967,708
Reinsurance premiums payable	3,301,550	246,454	3,548,004	1,149,064
Indemnities payable	3,304,861	35,067	3,339,928	(349,007)
Accounts payable and accrued liabilities	112,561	–	112,561	(328,877)
Cash provided by (used for) operating activities	10,928,069	(2,556,850)	8,371,219	(9,538,113)
Investing Activities:				
Sale (purchase) of short-term investments	(40,284,617)	(4,895,449)	(45,180,066)	33,740,087
Purchase of capital assets	(67,535)	–	(67,535)	(165,025)
Cash provided by (used for) investing activities	(40,352,152)	(4,895,449)	(45,247,601)	33,575,062
Financing Activities:				
Deferred revenue	(268,217)	–	(268,217)	(231,986)
Cash used for financing activities	(268,217)	–	(268,217)	(231,986)
Net increase (decrease) in cash and short-term investments	(29,692,300)	(7,452,299)	(37,144,599)	23,804,963
Cash and cash equivalents, beginning of year	34,800,195	7,452,299	42,252,494	18,447,531
Cash and cash equivalents, end of year	$ 5,107,895	–	$ 5,107,895	$ 42,252,494
Cash and cash equivalents comprised of the following:				
Short-term investments	$ 279,188,220	17,291,091	$ 296,479,311	$ 285,594,730
Short-term investments with terms greater than 90 days	274,365,185	17,291,091	291,656,276	246,476,209
Short-term investments with terms of 90 days or less	4,823,035	–	4,823,035	39,118,521
Cash	284,860	–	284,860	3,133,973
	$ 5,107,895	–	$ 5,107,895	$ 42,252,494

Statement 1

REVENUE PROTECTION – GROSS REVENUE INSURANCE PLAN (NOTE 4(A))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	2003	2002
Revenue:		
Interest	$ 1,117	$ 550,013
Expenditure:		
Indemnities, prior years	–	–
Doubtful accounts (recoveries)	(9,876)	(57,316)
Administrative expenses – Schedule 1	2,751	16,464
Administrative expenses recovered from		
Government of Canada	(1,375)	(8,232)
Province of Manitoba	(1,376)	(8,232)
Net expenditure (recoveries)	(9,876)	(57,316)
Excess of revenue over expenditure	10,993	607,329
Excess of revenue over expenditure, beginning of year	3,033,031	23,343,775
Refunds to participants, during the year	3,015,598	20,918,073
Excess of revenue over expenditure, end of year	$ 28,426	$ 3,033,031

Statement 2

WILDLIFE DAMAGE COMPENSATION PROGRAM (NOTE 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	2003	2002
Revenue:		
Recovery of expenditures		
Government of Canada	$ 789,682	$ 598,198
Province of Manitoba	1,114,021	834,072
Total revenue	$ 1,903,703	$ 1,432,270
Expenditure:		
Indemnities	$ 1,621,691	$ 1,179,373
Administrative expenses		
Adjusters' wages, benefits and expenses	261,532	222,053
Audit fees and legal	5,177	14,001
Other administrative expenses	15,303	16,843
	282,012	252,897
Total expenditure	$ 1,903,703	$ 1,432,270

Statement 3

MANITOBA FARM DISASTER ASSISTANCE PROGRAM (NOTE 4(C))
CANADA-MANITOBA ADJUSTMENT PROGRAM (NOTE 4(C))
CANADA-MANITOBA ADJUSTMENT PROGRAM 2 (NOTE 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2003

	Manitoba Farm Disaster Assistance Program		Canada-Manitoba Adjustment Program		Canada-Manitoba Adjustment Program 2	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Revenue:						
Recovery (repayment) of expenditures						
Government of Canada	$ –	$ –	$ –	$ –	$ –	$ –
Province of Manitoba	(20,392)	4,017	–	–	–	–
Total recovery (repayment)	(20,392)	4,017	–	–	–	–
Interest	–	–	1,698	17,357	152	464,006
Total revenue (repayment)	$ (20,392)	$ 4,017	$ 1,698	$ 17,357	$ 152	$ 464,006
Expenditure:						
Program payments (recoveries)	$ –	$ –	$ –	$ (286,984)	$ –	$ 352,913
Doubtful accounts (recoveries)	(20,554)	(9,649)	6,276	5,465	(345)	345
Administrative expenses	162	13,666	–	332	(3,000)	16,565
Refund (recovery) of excess interest to (from) contributors	–	–	(4,578)	298,544	3,497	94,183
Total expenditure (recoveries)	$ (20,392)	$ 4,017	$ 1,698	$ 17,357	$ 152	$ 464,006

NOTES TO FINANCIAL STATEMENTS

March 31, 2003

1. AUTHORITY

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates crop and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Revenue Protection component of the Gross Revenue Insurance Plan and the Wildlife Damage Compensation Program, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 20(8) of The Crop Insurance Act.

(C) Capital Assets and Amortization

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) Vacation and Severance Pay

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) Premiums and Government Contributions

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

Agreements between the Government of Canada and the Province of Manitoba provide for the cost sharing of the insurance premiums under the Crop Insurance Program. The insurance premiums for coverage of 50% of the insureds' probable yields are shared between the Government of Canada (60%) and the Province of Manitoba (40%). Premiums for insurance coverage above the 50% level are shared between the insured producers (50%), the Government of Canada (25%) and the Province of Manitoba (25%).

(G) Administrative Expenses

The agreement relating to the Crop Insurance Program, referred to in Section (F) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared equally by the Government of Canada and the Province of Manitoba. Administrative revenues include a per acre administrative fee shown as a recovery from insured producers. Administrative expenses relating to the Hail Insurance Program are recovered from the insureds.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

(H) Use of Estimates

In preparing the Corporation's financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(I) Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, investments, and accounts payable. It is Management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

4. OTHER PROGRAMS

(A) Statement 1

Effective January 1991, the Corporation assumed responsibility for the administration of the agreement between the Government of Canada and the Province of Manitoba for the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP) for crops produced in Manitoba.

For the year ended March 31, 1993 and subsequent years, the GRIP premiums were shared between insured producers (33.33%), the Government of Canada (41.67%), and the Province of Manitoba (25%).

The administrative expenses incurred by the Corporation to administer GRIP are shared equally by the Government of Canada and the Province of Manitoba.

The Government of Canada and the Province of Manitoba terminated GRIP at the end of the 1995 crop year. In 1997, $47,491,745 or 75% of the March 31, 1996 excess of revenue over expenditure was distributed to the participants according to their respective premium contributions. The balance was held, earning interest, until all outstanding issues relating to GRIP were finalized. A further $20,918,073 of the excess of revenue over expenditure was distributed to the participants in the year ended March 31, 2002.

In April 2002, $2,977,366, which represented the balance of the Government of Canada's share of the interest earned on the GRIP excess of revenue over expenditure, was distributed to the Food Development Centre in accordance with the Canada-Manitoba Agreement for the Retention of Interest. By June 30, 2002, the Government of Canada and the Province of Manitoba received $23,909 and $14,323, respectively, completing the final distribution of their remaining share of the excess of revenue over expenditure. Producer claim overpayments that are collected will be refunded to governments according to their respective premium contributions.

The March 31, 2003 excess of revenue over expenditure of $28,426, which represents the remaining producers' share, is being held pending a decision on its distribution for the benefit of Manitoba's producers.

(B) Statement 2

The Corporation administers the Wildlife Damage Compensation Program that was established to compensate producers for 100% of damaged agricultural crops, products and domestic livestock caused by big game, waterfowl or livestock predation. The Government of Canada contributes 40% of losses and 50% of administrative expenses. The Province of Manitoba contributes 60% of losses and 50% of administrative expenses.

(C) Statement 3

Manitoba Farm Disaster Assistance Program (MFDAP)

Commencing June 1999, the Corporation assumed responsibility for the administration of the Manitoba Farm Disaster Assistance Program (MFDAP). This program was introduced to help producers affected by the excess moisture conditions, which impaired seeding and damaged forage fields and pastures in the spring of 1999. The program covered unseeded land, forage restoration, hay production shortfall and custom seeding. Program funding of $70.2 million was provided by the Province of Manitoba.

Canada-Manitoba Adjustment Program (CMAP)

Effective March 2000, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program (CMAP) on behalf of the Government of Canada and the Province of Manitoba. This program provided producers of grains, oilseeds and special crops with a one-time payment to assist them as they adjusted to the elimination of transportation subsidies during a period of low prices.

Assistance of over $100 million was provided through this program. This amount, which includes administrative expenses, was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). The interest earned on invested funds was used partly to make additional payments to new producers, with the balance repaid to the Government of Canada and the Province of Manitoba according to the timing and amount of their respective contributions. With their concurrence, the Government of Canada's portion of the surplus interest of $247,151 was distributed directly to the Food Development Centre.

Canada-Manitoba Adjustment Program 2 (CMAP 2)

Effective March 2001, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program 2. This program was introduced to help Manitoba producers by lessening the impact of the farm income crisis in the grains, oilseeds and special crop sectors.

Assistance of over $92 million was provided through this program. This amount, which includes administrative expenses, was cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). Interest earned on invested funds was used partly to make additional payments to producers, with the balance repaid to the Government of Canada and the Province of Manitoba according to their respective contributions. With their concurrence, the Government of Canada's portion of the surplus interest of $54,108 was distributed directly to the Food Development Centre.

5. ACCOUNTS RECEIVABLE

The accounts receivable as of March 31, 2003 consist of the following:

	March 31, 2003				March 31, 2002
	Crop Insurance Program	Hail Insurance Program	Other Programs	Total	Total
Insureds	$ 637,565	240,829	–	$ 878,394	$ 1,800,367
Government of Canada	865,202	–	107,761	972,963	637,757
Province of Manitoba	1,037,472	–	–	1,037,472	967,697
Accrued Interest	3,488,154	321,570	–	3,809,724	3,197,714
Other	354,858	2,098	–	356,956	196,334
	$ 6,383,251	564,497	107,761	$ 7,055,509	$ 6,799,869

6. CAPITAL ASSETS

	March 31, 2003			March 31, 2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and Equipment	$ 270,561	105,922	$ 164,639	$ 151,754
Computer Hardware	393,986	291,929	102,057	122,011
Computer Software	68,581	58,471	10,110	7,447
Major Application Development	2,907,418	2,594,471	312,947	543,913
Leasehold Improvements	297,560	204,672	92,888	125,733
	$ 3,938,106	3,255,465	$ 682,641	$ 950,858

7. INDEMNITIES PAYABLE

Indemnities payable for the Crop Insurance Program of $5,826,142 (2002 - $2,521,281) provide for indemnity payments relating to the 2002 crop year. This amount includes an estimate of $3,445,000 (2002 - $1,260,000), which represents the liability for unpaid claims and the loss of crop value due to the over-winter deterioration of unharvested crops.

Indemnities payable for Other Programs of $278,854 (2002 - $140,098) include a provision of $208,600 (2002 - $115,000) for the Wildlife Damage Compensation Program.

8. DEFERRED REVENUE

Deferred revenue represents administrative subsidies provided equally by the Government of Canada and the Province of Manitoba and is used to acquire capital assets. Deferred revenue is recognized as revenue when amortization is recorded on capital assets.

9. REINSURANCE – CROP INSURANCE PROGRAM

In accordance with the terms of a reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on premiums collected plus the matching contributions paid by the Government of Canada and the Province of Manitoba. When indemnities are in excess of the funds retained by the Corporation and certain other conditions are met, transfers are made from the Crop Reinsurance Fund accounts to the Corporation. Interest is neither credited nor charged to the Funds by the Government of Canada or the Province of Manitoba.

	Reinsurance Fund of Canada for Manitoba		Reinsurance Fund of Manitoba	
	2003	2002	2003	2002
Opening surplus (deficit)	$ (1,672,811)	$ (2,039,958)	$ 21,005,132	$ 20,637,985
Current year premium contributions (net) *	449,597	367,147	449,597	367,147
Closing surplus (deficit)	$ (1,223,214)	$ (1,672,811)	$ 21,454,729	$ 21,005,132

** Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.*

The Corporation entered into a new one-year private reinsurance agreement for the Crop Insurance Program in addition to what is covered by the reinsurance agreement between the Government of Canada and Province of Manitoba. This agreement provided for 31 reinsuring companies to assume 90% of losses, including loss adjustment expenses, from 15% to 25% of the Crop Insurance coverage. Reinsurance premiums were $14,009,824 (2002 - $6,731,557). There were no reinsurance recoveries in 2003 (2002 - $nil).

10. REINSURANCE – HAIL INSURANCE PROGRAM

The Corporation entered into a new one-year reinsurance agreement for the Hail Insurance Program. This agreement provided for 14 reinsuring companies to assume hail insurance losses, including loss adjustment expenses, from 125% to 200% of gross premium. Reinsurance premiums were $874,686 (2002 - $566,480). There were no reinsurance recoveries in 2003 (2002 - $nil).

11. LEASE AGREEMENTS

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31st	Lease Agreements Amounts
2004	$ 541,543
2005	508,599
2006	442,697
2007	364,446
2008	157,677
	2,014,962
2009 and beyond	–
	$ 2,014,962

12. CONTINGENCIES

Various legal actions for additional indemnity payments and coverages have been commenced by producers against the Corporation. The outcome of these claims cannot be determined at this time.

13. ACTUARIAL REVIEW

An actuarial review of the 2002 Crop Insurance Program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial report concludes that the methodologies used by the Corporation in establishing the probable yields of the crops covered by the Program meet the requirements of the Federal Crop Insurance Regulations. The report also concludes that the premium rate methodologies are actuarially sound, are sufficient to meet expected claim costs, and include a provision for adverse deviations from expected results.

A comprehensive actuarial review is completed every five years with any new programs or program changes being reviewed annually.

14. RELATED – PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Province of Manitoba-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

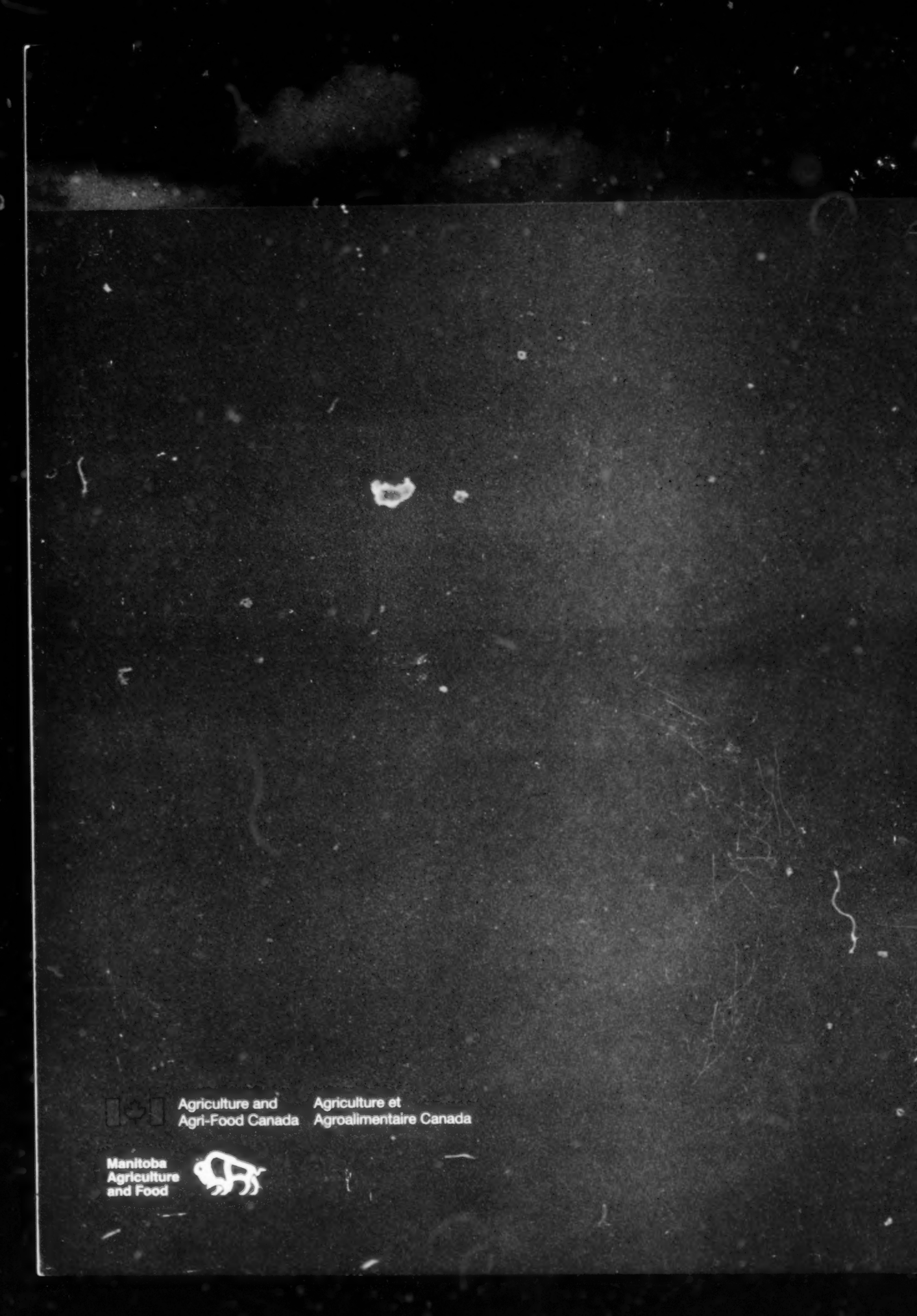
Interest earned on investments held with the Province of Manitoba amounted to $8.9 million (2002 - $14.0 million). Included in accounts receivable (Note 5) is $3.8 million (2002 - $3.2 million) of accrued interest related to investments held with the Province of Manitoba.

Schedule 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

for the year ended March 31, 2003

	2003	2002
Adjusters' wages, benefits and expenses	$ 3,582,883	$ 3,224,765
Advertising	101,540	113,437
Amortization expense	335,751	397,011
Appeal Tribunal	15,801	16,804
Audit fees and legal	161,613	114,350
Directors' remuneration and expenses	65,261	59,331
Furniture and equipment	42,859	46,679
Information technology	428,365	426,251
Office rental and utilities	591,933	555,353
Other administrative expenses	276,161	283,972
Other administrative recoveries	(174,177)	(138,622)
Postage	113,878	118,616
Printing, stationery and office supplies	168,607	182,648
Salaries and employee benefits	5,557,427	5,665,818
Telephone	133,282	129,057
Travel and automobile expenses	319,111	319,413
Total administrative expenses	$ 11,720,295	$ 11,514,883
Administrative expenses allocated to:		
Crop Insurance Program	$ 10,016,194	$ 9,995,769
Gross Revenue Insurance Plan	2,751	16,464
Hail Insurance Program	1,701,350	1,502,650
Total administrative expenses	$ 11,720,295	$ 11,514,883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